



U.S. Department of Justice

***United States Attorney
Eastern District of Arkansas***

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PLEA ENTERED IN TOBACCO KICKBACK SCHEME

LITTLE ROCK – Jane W. Duke, United States Attorney for the Eastern District of Arkansas, announced that Daryl Shane Smith, age 39, of Little Rock, pled guilty Monday of this week before U.S. District Judge Brian S. Miller to one count of conspiracy to defraud the United States. Miller faces a maximum penalty of five years in prison and a fine of \$250,000. Sentencing will be at a date to be determined by the Court.

Smith was indicted on June 2, 2010, along with co-defendant David Thompson.

During the plea hearing, Smith admitted that beginning in January 2002 until approximately October 2007, he caused cash to be sent from tobacco retail stores he and Thompson controlled to their company, Merchants Wholesale Inc., and then caused a portion of this cash to be withheld from the bank account deposits. The withheld cash was then paid as kickbacks to the owners of those stores, including Smith.

Smith admitted that he received \$685,700 in 2003 and \$477,965 in 2004 in kickbacks. Smith also admitted that he failed to report these amounts as income on his income tax returns filed with the Internal Revenue Service.

This case is the result of an investigation conducted by the Internal Revenue Service – Criminal Investigation, the Federal Bureau of Investigation, the Bureau of Alcohol, Tobacco, Firearms, and Explosives, and the Arkansas Tobacco Control Board.

Assistant U.S. Attorney George C. Vena prosecuted the case for the United States.

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